

Message Text

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ORIGIN PM-07

INFO OCT-01 CCO-00 RSC-01 SS-15 SSO-00 ISO-00 NEA-10

NSCE-00 CIAE-00 INR-10 NSAE-00 AID-20 IGA-02 H-03 L-03

DODE-00 INRE-00 NSC-10 IO-15 /097 R

DRAFTED BY PM:A- FOD:NEA/TUR:R. DILLON

APPROVED BY S/S-O: R. ELTZ

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FM SECSTATE WASHDC

TO USMISSION USUN NEW YORK IMMEDIATE

C O N F I D E N T I A L STATE 197362

TOSEC 82

E.O. 11652: GDS

TAGS: PFOR, TU

SUBJECT: FACT SHEET - TURKEY

FOR DELIVERY AT 0630 TO MR. PICKERING

TURKISH REQUEST FOR A CRUISER

THE TURKISH GOVERNMENT IS INTERESTED IN ACQUIRING A CRUISER-TYPE SHIP TO REPLACE THE BATTLE CRUISER YAVUZ, WHICH THEY RETIRED THIS YEAR. LIKE THE YAVUZ, THEY PLAN TO USE THE CRUISER AS A CEREMONIAL FLAGSHIP AND POSSIBLY AS A TRAINING SHIP. THE TURKS ATTACHED GREAT SENTIMENTAL VALUE TO THE YAVUZ (EX GOELSEN) WHICH THE GERMANS GAVE TO THEM AT THE BEGINNING OF WORLD WAR I.

THEY HAVE APPROACHED US ABOUT THE POSSIBLE ACQUISITION OF A SURPLUS CRUISER AND HAVE INDICATED THEIR WILLINGNESS TO PAY SCRAP VALUE AND PRESUMABLY THE COSTS OF REHABILITATION.
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THE SALE PRICE OF THE ONLY LARGE SHIP AVAILABLE, A KEARY CRUISER, WOULD BE ABOUT (DOLLARS)\$1 MILLION, MINIMUM REHABILITATION WOULD BE (DOLLARS) \$4-6 MILLION, AND REHABILITATION TO PUT IT IN SERVICABLE CONDITION AS A TRAINING (BUT NOT COMBAT) SHIP WOULD COST APPROXIMATELY (DOLLARS) \$16 TO \$20 MILLION.

THE TURKS WOULD PROBABLY PREFER FOR THIS PURPOSE A SHIP SMALLER THAN A CRUISER BUT LARGER THAN A DESTROYER. UNFORTUNATELY, WE DO NOT HAVE AND ARE NOT LIKELY TO HAVE ANY SUCH SHIPS AVAILABLE IN THE FORSEEABLE FUTURE.

NEA HAS ARGUED THAT WE SHOULD RESPOND FAVORABLY TO THE TURKISH REQUEST ON ESSENTIALLY POLITICAL/PSYCHOLOGICAL GROUNDS. AGAINST A BACKGROUND OF SEVERE CUTS IN MAP IN FY 1972 AND 1973, AND THE PROBABILITY OF EVEN MORE SEVERE CUTS THIS YEAR, THEY ARGUE THAT THERE WOULD BE A GREAT PUBLIC, POLITICAL VALUE TO THE U.S. IN TURKEY, AND A PARTICULARLY POSITIVE IMPACT ON OUR RELATIONS WITH GOT OFFICIALS IN THE SECURITY/MILITARY FIELD IF WE COULD MAKE THIS GESTURE.

UNDER SECRETARY TARR, PM, AND DOD HAVE RECOMMENDED AGAINST MAKING A CRUISER AVAILABLE TO TURKEY FOR TWO BASIC REASONS. FIRST, BECAUSE THERE IS NO MILITARY JUSTIFICATION FOR SUCH A SHIP IN THE TURKISH NAVY (THE US NAVY NO LONGER OPERATES THEM), IT COULD ATTRACT CRITICAL ATTENTION IN CONGRESS AND LEND SUPPORT TO FURTHER RESTRICTIVE LEGISLATION ON THE SHIP TRANSFER PROGRAM. SECOND, THE HIGH COST OF ACQUISITION, REHABILITATION, AND MAINTENANCE OF SUCH A SHIP, IN THE ABSENCE OF ANY MILITARY NEED, WOULD BE INCONSISTENT WITH OUR JUSTIFICATIONS FOR HIGH LEVELS OF GRANT MILITARY ASSISTANCE TO TURKEY.

ELECTRONIC WAREFARE EQUIPMENT COMMITMENT TO TURKEY
IN CONNECTION WITH THE ACQUISITION OF INTELLIGENCE FACILI-

TIES IN TURKEY, DOD IN 1957 AGREED TO PROVIDE THE TURKISH ARMED FORCES WITH AN ELECTRONIC WAREFARE (EW) CAPABILITY. THIS COMMITMENT WAS REAFFIRMED IN 1962 AND IN 1963 WE AGREED
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THAT THIS ASSISTANCE WOULD BE OUTSIDE THE REGULAR MILITARY ASSISTANCE PROGRAM. NO TIME OR DOLLAR LIMIT WAS PLACED ON THE COMMITMENT.

AT THE TIME THE COMMITMENT WAS MADE, EW WAS IN ITS INFANCY. SINCE THEN, THERE HAVE BEEN ENORMOUS ADVANCES IN THE EW TECHNOLOGY AND THE COSTS HAVE SKY-ROCKETED. CURRENTLY, THE USG IS STRESSING THE IMPORTANCE OF EW EQUIPMENT IN NATO.

DURING THE 1960'S DOD PROVIDED MODEST AMOUNTS OF ASSISTANCE IN THE EW FIELD. EQUIPMENT PROVIDED THEN IS NOW OBSOLETE AND THE TURKS HAVE RECENTLY BEEN PRESSING US TO ASSIST THEM IN MODERNIZING THEIR EW FORCES. IN AN EFFORT TO CLOSE OFF THIS OPEN-ENDED COMMITMENT, DOD EARLIER THIS YEAR OFFERED (DOLLARS) \$2 MILLION EQUIPMENT PACKAGE. THE GOT REJECTED THIS OFFER NOTING THE LINK BETWEEN OUR EW

COMMITMENT AND OUR ACCESS TO INTELLIGENCE FACILITIES IN TURKEY,BUT SUGGESTED THAT WE,NEGOTIATE AN EQUIPMENT PACKAGE THAT WOULD MEET TURKEYS NEEDS AND AT THE SAME TIME END OUR COMMITMENT. WE ESTIMATE THAT AT A MINIMUM (DOLLARS) \$10 MILLION WOULD BE NEEDED TO SATISFY TURKEY'S REQUIREMENTS AND DESIRES. ACTING SECRETARY RUSH RAISED THE PROBLEM IN A LETTER TO SECRETARY SCHLESINGER ON JULY 16 AND THE ISSUE HAS BEEN DISCUSSED REPEATEDLY SINCE THEN WITH DOD. SECRETARY SCHLESINGER HAS NOT REPLIED TO MR. RUSH'S LETTER BUT, AT THE STAFF LEVEL, DOD INFORMS US THAT IN PART DUE TO LEGAL PROBLEMS IN USING SERVICE FUNDS FOR THIS PURPOSE, THEY ARE UNABLE TO LOCATE THE REQUIRED FUNDS FOR A NEW PACKAGE FOR TURKEY.

TURKEY: TEN PERCENT LOCAL CURRENCY DEPOSIT (LIMITED OFFICIAL USE)

IN FEBRUARY 1972 CONGRESS ENACTED A LAW (SECTION 514 OF THE FOREIGN ASSISTANCE ACT) REQUIRING THAT GOVERNMENTS RECEIVING GRANT MILITARY ASSISTANCE OR EXCESS DEFENSE ARTICLES DEPOSIT TEN PERCENT OF THE VALUE THEREOF IN LOCAL CURRENCY FOR USG OFFICIAL USES IN THAT COUNTRY. SUCH DEPOSITS WOULD NOT BE REQUIRED IF THE USG POSSESSED SUFFICIENT CURRENCY OF THE RECIPIENT COUNTRY TO DEFRAY ALL USG OFFICIAL LOCAL CURRENCY EXPENSES.

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FOR FY 1972 AND 1973, THE USG WAIVED THE TEN PERCENT DEPOSIT REQUIREMENT ON THE BASIS THAT THERE WAS SUFFICIENT TURKISH CURRENCY AVAILABLE TO THE USG TO DEFRAY ALL USG EXPENSES. AS AN "EXCESS CURRENCY" COUNTRY, TURKEY WAS AT THE MARGIN AND, IN FACT, THE USG RAN OUT OF ADEQUATE SUPPLIES OF TURKISH LIRA AT THE END OF FY 1973.

FOR FY 1974, THE PRESIDENT USED HIS AUTHORITY UNDER SECTION 614 OF THE FOREIGN ASSISTANCE ACT TO WAIVE THE TEN PERCENT DEPOSIT REQUIREMENT FOR THE FIRST (DOLLARS) \$50 MILLION IN MILITARY ASSISTANCE RECEIVED BY TURKEY. THIS IS THE MAXIMUM WAIVER POSSIBLE UNDER THE LAW. THUS, TURKEY WILL BE REQUIRED TO PAY THE TEN PERCENT DEPOSIT ON ANY MILITARY ASSISTANCE EXCEEDING (DOLLARS) \$50 MILLION IN VALUE IN FY 1974. AT THE PRESENT TIME, IT APPEARS UNLIKELY THAT MILITARY ASSISTANCE TO TURKEY WOULD GREATLY EXCEED (DOLLARS) \$50 MILLION IN FY 1974 (ALTHOUGH THE GOT IS NOT YET AWARE OF THIS); IF IT DOES, THE PRESIDENT HAS NO LEGAL

MEANS TO FURTHER WAIVE THIS CONGRESSIONALLY IMPOSED REQUIREMENT. THE ONLY POSSIBLE WAY OF AVOIDING THE TEN PERCENT DEPOSIT IN THESE CIRCUMSTANCES WOULD BE FOR THE GOT TO PREPAY OUTSTANDING AID LOANS TO THE POINT WHERE THE USG HAS AN ADEQUATE SUPPLY OF TURKISH LIRA TO DEFRAY ALL OFFICIAL EXPENSES IN TURKEY.

TURKISH CO-PRODUCTION OF A FIGHTER AIRCRAFT

TURKEY HAS SOLICITED PROPOSALS FOR THE CO-PRODUCTION IN TURKEY OF A SUPERSONIC FIGHTER AIRCRAFT FROM NORTHROP (F-5E), LOCKHEED (F-104S), AND HAWKER-SIDDELEY (HAWKER HUNTER & HARRIER). THE REQUESTED PROPOSALS ARE REQUIRED TO PROVIDE FOR AN INITIAL PRODUCTION OF 200 AIRCRAFT, THEREAFTER SHIFTING TO PRODUCTION OF THE NEXT GENERATION INTERCEPTOR, E.G., NORTHROP'S P-530 COBRA AND LOCKHEED'S L-1011.

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SUCH A PROJECT WOULD REQUIRE, APART FROM LOCAL PLANT AND LABOR COSTS, APPROXIMATELY (DOLLARS) \$500-600 MILLION.

WHILE THIS SUBJECT HAS BEEN ACTIVE FOR ALMOST TWO YEARS, THE TURKISH GOVERNMENT HAS NOT MADE A DECISION ACCEPTING ANY OF THE PROPOSALS MADE BY THE COMPANIES NOR HAS IT MADE ANY OFFICIAL REQUEST TO THE USG FOR FOREIGN MILITARY SALES (FMS) CREDIT OR FOR EXPORT LICENSES FOR THE EQUIPMENT AND COMPONENTS INVOLVED, THOUGH CLEARLY THE TURKS(AND THE US COMPANIES) ARE INTERESTED IN FMS CREDITS.

SHOULD THE GOT REQUEST OUR ASSISTANCE, IT WOULD PRESENT TWO TYPES OF PROBLEMS: (1) AVAILABILITY OF CREDITS, AND (2) POSSIBLE CONFLICT WITH USG POLICIES RELATING TO ECONOMIC, FINANCIAL, AND EMPLOYMENT FACTORS.

FOR THE NEXT FEW YEARS THE REQUIREMENT FOR CREDITS FOR ISRAEL AND OUR EXISTING FMS CREDIT COMMITMENTS TO OTHERS (INCLUDING TURKEY FOR THE F-4 PURCHASE, AMONG OTHERS) ARE SUCH THAT IT WILL NOT BE POSSIBLE FOR US TO MAKE ANY SUBSTANTIAL AMOUNT OF CREDIT AVAILABLE TO TURKEY FOR AN AIRCRAFT PRODUCTION PROJECT.

ON THE ECONOMIC SIDE, REQUESTS FOR ASSISTANCE FOR THIS KIND OF PROJECT MUST BE EVALUATED IN LIGHT OF THEIR AFFECT ON (LONG AND SHORT-TERM) ON THE US BALANCE OF PAYMENTS, US EMPLOYMENT, AND THE LIKLIHOOD OF CREATING FUTURE COMPETITORS FOR US INDUSTRY. IN ADDITION, TO HAVE TURKEY EMBARK ON SUCH AN AMBITIOUS AND EXPENSIVE VENTURE COULD

RAISE QUESTIONS ABOUT THE NEED AND JUSTIFICATION FOR CONTINUED LARGE GRANT MILITARY AND ECONOMIC ASSISTANCE PROGRAMS. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE197362
Document Source: ADS
Document Unique ID: 00
Drafter: PM:A- FOD:NEA/TUR:R. DILLON
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731066/abqceiwq.tel
Line Count: 215
Locator: TEXT ON-LINE
Office: ORIGIN PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 04 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04-Oct-2001 by smithrj>; APPROVED <20 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FACT SHEET - TURKEY
TAGS: PFOR, TU
To: USUN N Y
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005